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INTRODUCTION

The Kalamazoo County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Kalamazoo County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Kalamazoo County FOC billed FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Kalamazoo County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Kalamazoo County FOC for the period January 1 through December 31, 1997. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Kalamazoo County FOC overbilled the FIA for some line items and underbilled for others. The State share of the net amount overbilled is \$35,308. (See Schedule A.) We also found that the method used for the allocation of accumulated leave was not proper.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$35,308 from the Kalamazoo County FOC. Our report also recommends that the Family Independence Services Administration review the 1999 Kalamazoo County Indirect Cost Plan to assure the accumulated leave and retiree's health care are appropriately calculated.

FOC RESPONSE

The Kalamazoo County FOC agrees with all findings

FINDINGS

IV-D Percentage

1. The Kalamazoo County FOC overbilled FIA \$10,055 because they billed the same IV-D percentage every month instead of calculating the actual IV-D percentage for each month. There were no monthly caseload statistics available for our audit period. We calculated the average monthly actual IV-D percentage for the 1998 year and applied that percentage to the 1997 billings. The billed IV-D percentage was 93% our calculated IV-D percentage was 92.55%. (See Schedule A.)

Personnel Costs of FOC Administrator

2. The Kalamazoo County FOC overbilled FIA for the FOC Administrator's salary. Fifty percent of the FOC Administrators salary (\$40,142) and fringe benefits (\$12,043) for a total of \$52,185 were charged to the FOC contract. The FOC administrator's time charged was not supported by time distribution records. The "Applicable Costs" section of the contract and The Federal Office Management and Budget Circular No. A-87 (A-87), Attachment B, section A.11.h.4, require appropriate time distribution records for employees chargeable to more than one activity. (See Schedule A.)

Retirees Health Insurance Not Allocated Properly

3. The Kalamazoo County underbilled FIA \$9,278 for retiree's health care. The Kalamazoo County indirect cost plan contained costs for retiree's health care. The FOC was allocated a share of those costs based on actual health insurance premiums paid on behalf of the retiree. This method of allocation in effect made the cost a direct charge to the FOC. These cost are indirect costs and therefore should be allocated as a general administrative expense. The County recalculated the retiree's health care as a general administrative expense and the result was the \$9,278 underbilled amount.

Accumulated Leave

4. Kalamazoo County allocated accumulated leave to General Fund departments based on the average number of employees assigned to each department. Non General Fund departments such as the FOC are charged directly for their accumulated leave. A-87 Section 11.d.3. states: "Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component." The county should combine all accumulated leave and allocate it to all departments as a general administrative expense.

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$35,308 from the Kalamazoo County FOC.

WE ALSO RECOMMEND the Family Independence Services Administration review the Kalamazoo County 1999 Indirect Cost plan (used to bill 2001) to ensure that the cost of retirees' health care is allocated as a general administrative expense and the 1997 recalculated amount is properly reflected in the 1999 Indirect Cost Plan; and that Kalamazoo County is complying with A-87, Section 11.d.3. for allocating accumulated leave.

Finding #	Line Item	Year	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	1997			\$ (8,364)		
1	Data Processing	1997			\$ (406)		
1	Other Direct	1997			\$ (1,817)		
1	Central Services	1997			\$ (847)		
1	Service Fees	1997			\$ 1,168		
1	Mediation Fees	1997			\$ 75		
1	Other Income	1997			\$ 136		
					\$ (10,055)		
2	Personnel	1997	\$ (52,185)	92.55%	\$ (48,297)		
3	Retiree Health	1997	\$ 9,278	92.55%	\$ 8,587		
Grand Total of the IV-D Audit Adjustments					\$ (49,765)		
Calculation of the Payment Due the (State) County							
Audited IV-D Amount					2,100,999		
IV-D Amount Used for the Payments Actually Made					(2,150,764)		
IV-D Audit Adjustment Due (State) County					(49,765)	70.95%	(35,308)